BCSC 2014
ENFORCEMENT REPORT

British Columbia
Securities Commission

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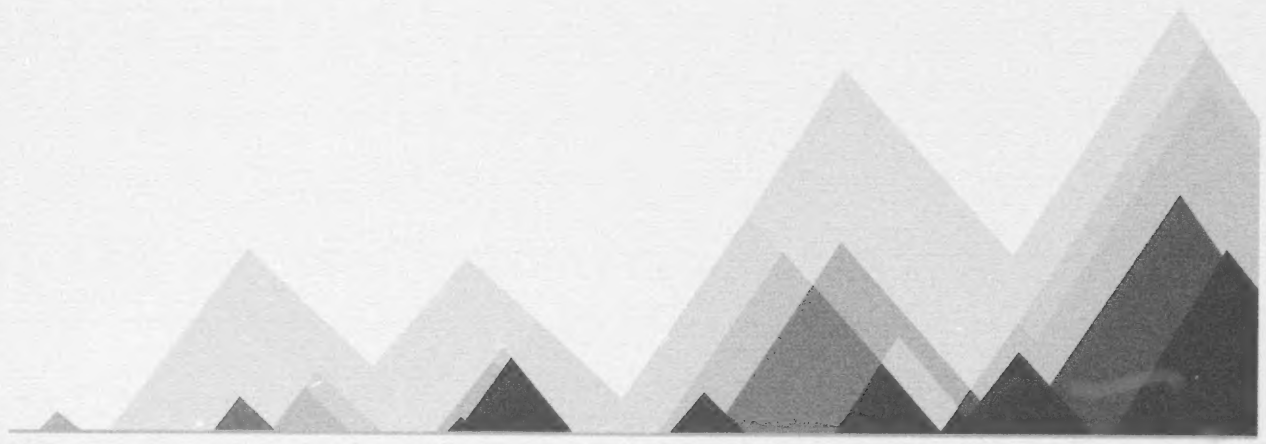


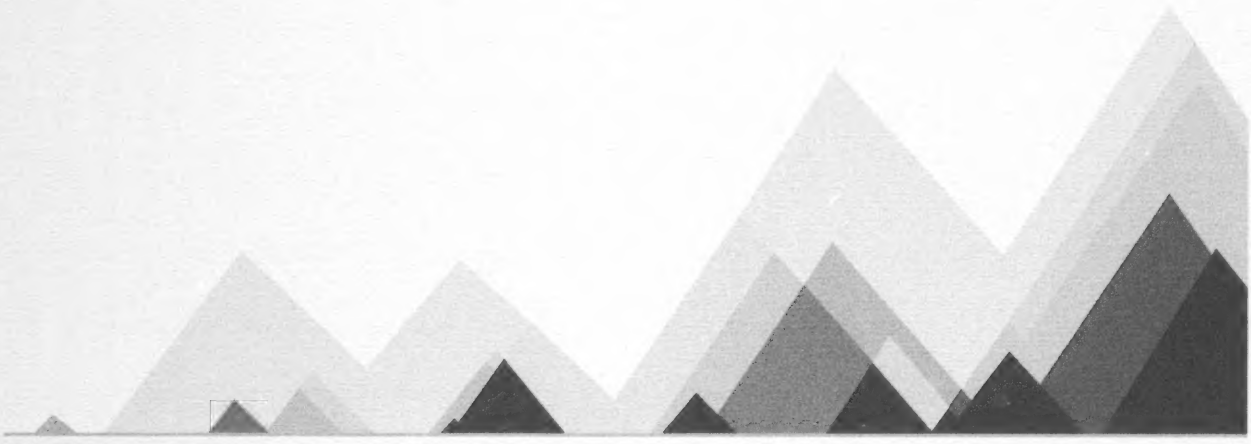
ABOUT THE BCSC

Mandate

The British Columbia Securities Commission (BCSC) is the independent provincial government agency responsible for regulating capital markets in British Columbia through the administration of the *Securities Act*. Our mission is to protect and promote the public interest by fostering:

- A securities market that is fair and warrants public confidence
- A dynamic and competitive securities industry that provides investment opportunities and access to capital

The BCSC is also committed to investor protection and market integrity in Canadian capital markets.



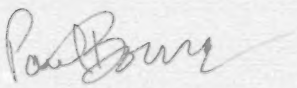
Letter from Executive Director

I am very pleased to present the BCSC's first annual Enforcement Report. This report provides a high-level overview of the BCSC's efforts to deter misconduct, protect investors, and ensure that B.C.'s capital markets function fairly and efficiently.

The authority to prosecute misconduct is a critical enforcement power, and the BCSC's Enforcement division generated some impressive results in 2014. The report includes summaries of 22 administrative cases and three criminal cases that resulted in findings from a BCSC hearing panel or a criminal court in 2014. However, effective securities regulation also requires that enforcement be used strategically to deter and disrupt misconduct before the public is harmed. The BCSC uses a variety of leading-edge tools and resources to mitigate the risks to investors and encourage compliance among industry participants.

The report also describes the innovative approach the BCSC takes to managing the enforcement process. We prosecute every case where it is in the public interest to do so, and our streamlined approach focuses on expediting cases, increasing productivity, and resolving cases faster. We measure our effectiveness against a series of key performance indicators that allow us to identify problem areas and remain accountable to the public.

At the BCSC, enforcement is a function that is integrated into all of the work we do. Each department has an important role to play, from encouraging compliance in the capital markets to educating investors on the importance of early reporting. We believe that this inclusive view of enforcement strengthens and enhances our efforts to protect the public and the integrity of our markets.



Paul C. Bourque, Q.C.
Executive Director, B.C. Securities Commission

Letter from the Director of Enforcement

Effective enforcement of B.C.'s securities laws is essential to maintain public confidence in the integrity of our capital markets. The public imposition of sanctions for market violations is a powerful tool to deter inappropriate and illegal market conduct. Our goal is to detect misconduct early, disrupt and stop the activity, and then pursue any breaches of securities laws to deter future harm to investors.

Our Enforcement division conducts investigations into possible violations of the *Securities Act*, and has the authority to pursue allegations administratively or criminally. In administrative cases, allegations are heard by a panel of commissioners. Commission panels have broad powers under the *Securities Act* to order market bans, administrative penalties (fines) and the disgorgement of ill-gotten gains. Breaches of orders issued by a hearing panel can be pursued criminally under the *Securities Act*.

In criminal cases, the BCSC Criminal Investigations Team (CIT) investigates allegations of criminal misconduct and refers cases to Provincial Crown Counsel for prosecution. After a finding of guilt, the courts can impose penalties, including jail terms and fines. Criminal prosecution is appropriate for serious and repeat offenders for whom administrative penalties are not a deterrent.

The commission has the authority to intervene and stop ongoing misconduct by issuing:

- freeze orders to freeze cash and other assets for distribution to victims
- temporary enforcement orders to immediately stop misconduct
- cease trade orders (CTO)
- halt trade orders to disrupt ongoing market manipulations

In addition, the BCSC was the first securities regulator in Canada to publish Investor Alerts to warn the public about suspected frauds in progress, and encourage investors to contact us with any information they have about the investment or the individuals offering it.

We publish a schedule of hearings, notices of hearing, decisions, and settlements in the Enforcement section of our website, where we also provide a list of individuals that the BCSC has disciplined since 1987 (including those whose sanctions have now expired).

Our Commitment to B.C.'s Capital Markets

We focus our enforcement efforts on four key areas of misconduct:

1. Illegal distributions (including misrepresentations and fraud)
2. Market misconduct (including market manipulation and insider trading)
3. Compliance cases (including non-compliance by dealers and issuers)
4. Criminal cases related to securities transactions

Our People

The key to an effective enforcement program is dedicated and expert professional staff. I would like to thank the members of our Enforcement division for their continued commitment and hard work.

Teresa Mitchell-Banks, Q.C.
Director of Enforcement, B.C. Securities Commission

OUR APPROACH

Every Case is Prosecuted

In the past, screening potential cases slowed the enforcement process, reducing productivity and effectiveness. The screening criteria gave a higher score to larger cases. Many small cases went unprosecuted. The criteria did not recognize that for an investor who has lost their life savings, there are no small cases. We have now eliminated the screening criteria for referring cases from our investigators to Enforcement counsel. Therefore, we prosecute every case where it is in the public interest to proceed – not simply where they meet certain criteria. This streamlined process has increased productivity and effectiveness, and has created a stronger working relationship between investigators and Enforcement counsel.

Enforcement Plans

Where Enforcement staff identifies a breach of the legislation or conduct that otherwise justifies a public interest order, investigators and Enforcement counsel collaborate by jointly developing an Enforcement Plan, a document that:

- describes the subjects of the investigation
- summarizes the investigation to date
- sets out the potential violations and the evidence proving them
- addresses any legal issues

The Enforcement Plan aligns the investigator and Enforcement counsel at an early stage of the investigation. Staff uses the Enforcement Plan for both expedited cases that the Case Assessment Branch (CAB) refers directly to the Litigation Branch for enforcement action, and major cases that the Investigations Branch refers to the Litigation Branch for further review.

Expedited Cases

The CAB receives and assesses complaints, undertakes initial investigations, and refers files to other branches or external agencies. If the initial evidence is sufficient to prove a breach of the *Securities Act*, the CAB will refer the file straight to the Litigation Branch as an expedited case. If the case requires further investigation, the CAB will refer the matter to the Investigations Branch as a major case.

Fast Track Market Misconduct Referrals

Market Surveillance staff at the Investment Industry Regulatory Organization of Canada (IIROC) refers trading information to the CAB that may indicate market manipulation and/or insider trading. The CAB then assesses whether further investigation is warranted.

Encouraging Early Case Resolution

In order to streamline the enforcement process, encourage early case resolution, and free up valuable hearing room time, Enforcement staff provide the respondent with the notice of hearing, disclosure of all the relevant evidence, and an offer of settlement at the same time and at an early stage in the proceedings. This gives the respondent all the information needed to decide whether to settle the allegations with staff, or proceed to a contested hearing.

Typically, an offer of settlement gives the respondent 30 days to settle the case at reduced terms. If the respondent indicates a desire to settle at the investigation stage, we may also negotiate a settlement prior to the issuance of a notice of hearing.

Hearing Management System with Commission

Once the notice of hearing has been issued and proceedings have been initiated, the commission holds hearing management meetings to resolve preliminary issues, reduce adjournments, and to ensure that the hearing begins on-schedule.

BENCHMARKS

The Enforcement division tracks its progress towards goals outlined in the BCSC's Service Plan using relevant, long-term measures so that stakeholders can assess our performance over time. We select measurements based on the following criteria:

Connection to our goals

We choose measurements that will assess our progress in achieving our goals and, through them, our mission.

Longevity

We choose measurements that we will be able to track over several years, and whose trends will provide valuable information for improving our performance.

Measurability

We choose measurements for which we can collect accurate data and establish baselines in a timely way.

The following measurements are taken from our 2013-2014 Annual Report.

Action in Response to Ongoing Misconduct

We can significantly reduce harm to the public when we can identify and act quickly to disrupt misconduct. Stopping investment schemes before they start and preventing further participation in existing schemes is more effective than prosecuting them after there is damage to investors. Disruptive action provides a visible valuable benefit to the public.

This measure focuses our efforts on early detection and shows our ability to take early action to stop misconduct. We track a specific number of intervention types and measure how long it took us to implement the intervention from the opening of the complaint. We measure this statistic by capturing the first disruptive action taken within one year of the case opening and the time taken to implement the disruptive action.

Disruptive actions include:

- freeze orders
- demands
- production orders

We set our future targets to increase the number of disruptive actions as well as to reduce the average time to take action. Management believes a 10% increase in the number of disruptive actions and a 10% decrease in time taken reflects achievable operational improvements.

Results and targets							
Fiscal	2012 Actual	2013 Actual	2014 Target	2014 Actual	2015 Target	2016 Target	2017 Target
AVERAGE DURATION OF COMPLAINT TO ACTIONS							
Number of actions[1]	N/A	N/A	N/A	140	154	Increase 10% over 2015	Increase 10% over 2016
Average duration of complaint to actions	93 days	73 days	66 days	72 days	65 days	Decrease average by 10% over 2015	Decrease average by 10% over 2016

1. We revised this measurement methodology in fiscal 2014. Therefore, we have not included measurements for prior years, because they are not comparable.

Timely Resolution of Enforcement Cases

We want to be transparent about the average time our administrative enforcement process takes.

We measure the average case duration from case opening to issuing the notice of hearing or, absent a notice of hearing, the settlement agreement.

Results and targets							
Fiscal	2012 Actual	2013 Actual	2014 Target[1]	2014 Actual	2015 Target	2016 Target	2017 Target
AVERAGE LIFE, IN MONTHS, OF CASES RESOLVED VIA SETTLEMENT OR ENFORCEMENT DECISION							
	N/A	N/A	14	15.1	22[2]	Set according to review	Set according to review

1. We revised this measurement methodology in fiscal 2014. Therefore, we have not included measurements for prior years, because they are not comparable.

2. We base the 2015 target on current active cases.

How the BCSC Handles Enforcement Cases

INFORMATION SOURCES

INTERNAL SOURCES

Surveillance of Private Placement Market and OTCBB Market, Capital Markets Regulation Division (referrals from Dealer Compliance Exams), and Corporate Finance Division (Ongoing Continuous Disclosure Reviews)

EXTERNAL SOURCES

Complaints from the public, other regulators, or others

CASE ASSESSMENT

The nature and seriousness of the issue are assessed in order to refer the case to the proper organization

SELF-REGULATORY ORGANIZATIONS

Refer to SROs if the issue would be better addressed by IIROC or MFDA

ADMINISTRATIVE INVESTIGATIONS

Gather and analyze evidence, including documents, and witness and respondent interviews

Seek temporary orders, if appropriate

Provide litigation support, including testifying

BCSC LITIGATION

Provide legal advice during investigation

Recommend notices of hearing and settlements to the Executive Director

Present the case to a BCSC panel

CRIMINAL INVESTIGATIONS

Gather and analyze evidence, including documents, and witness and respondent interviews

Provide litigation support to Provincial Crown Counsel, including testifying

LAW ENFORCEMENT AGENCIES

Refer to IMET, RCMP, or municipal police, if investigation would be better addressed by them

BCSC EXECUTIVE DIRECTOR

The Executive Director issues notice of hearing outlining allegations of misconduct against respondents(s) and approves settlements

PROVINCIAL CROWN COUNSEL

Present the case to BC provincial court

ADMINISTRATIVE TRIBUNAL

Issue findings after hearing

Issue sanctions after finding of wrongdoing

BC PROVINCIAL COURT

Preside over trial or accept guilty plea

Impose fines and/or prison sentences

STRATEGIC USE OF ENFORCEMENT TO SUPPORT COMPLIANCE

Enforcement should be targeted to support key areas of compliance. As part of the commission's planning process, the Enforcement division develops a three-year strategic plan that identifies areas with a high risk of non-compliance, and defines strategies to mitigate those risks. Enforcement supports a number of long-term initiatives from the commission's most recent strategic plan, as reflected in cases that occurred before 2014.

Offshore Secrecy Jurisdictions

Risk

The integrity of B.C. markets is damaged when people use B.C. dealers and accounts in offshore secrecy jurisdictions to trade illegally on inside information, manipulate the market, or engage in other forms of market misconduct. Investigating illegal activity hidden in these offshore secrecy jurisdictions can be almost impossible.

Initiative

In 2012, the BCSC implemented a three-year initiative to address this risk. We focused our enforcement efforts on market participants resident in or doing business in B.C. who facilitated this type of conduct. We decided it would be worthwhile, even if it did not directly address the substantive misconduct, to look at how we could increase the cost of local activities that facilitated and enabled the substantive misconduct. From an enforcement perspective, we focused on:

- foreign financial institutions trading for B.C. residents without registration
- brokers who concealed insider trading through their offshore trading
- nominees and newsletter writers who facilitated market manipulations and insider trading by concealing the identity of the beneficial owner

Results

Colin Robert Hugh McCabe/Erwin Thomas Speckert

A BCSC panel fined and permanently banned a tout sheet publisher from B.C.'s capital markets for making misrepresentations and other misleading statements when promoting three companies traded on the Over-the-Counter-Bulletin-Board (OTCBB) in the United States. The panel also sanctioned the managing director of a Swiss company for facilitating secret payments to the tout sheet publisher in connection with one of the promotions. In July 2014, a commission panel found that between October 2009 and July 2010, **Colin Robert Hugh McCabe** featured three OTCBB-listed companies in his Elite Stock Report tout sheet. The panel said that McCabe "wrote and published grossly misleading reports while acting on retainer from third parties without knowing, or even inquiring, as to the parties' interest in the promotion, or its purpose." The panel found that this amounted to egregious conduct contrary to the public interest. In the same decision, the panel found that **Erwin Thomas Speckert** engaged in conduct contrary to the public interest by facilitating secret payments to McCabe, and knowingly concealing the relationship between McCabe and the third parties behind the payments. Speckert, a resident of Minden, Ontario and Zurich, Switzerland, is the managing director of a Swiss company called Everest Asset Management. In its sanctions decision, the panel stated that both McCabe and Speckert pose serious risks to B.C.'s capital markets. Of McCabe's misconduct, the panel wrote, "His failure to understand that his actions constituted serious misconduct shows a fundamental lack of judgment which, when combined with the nature of his misconduct, poses a serious risk to investors and our

markets." In characterizing Speckert's ongoing threat to investors, the panel wrote that, "Speckert's actions in arranging for, and facilitating the funding of, egregious touting has no place in our capital markets and poses a risk to investors and our markets." McCabe was ordered to pay to the commission the $2,776,993 obtained as a result of his misconduct, as well as an administrative penalty of $1.5 million. The panel ordered that Speckert resign any position he holds as an officer or director of an issuer or registrant. He is banned from trading in securities, purchasing securities or exchange contracts (with limited exceptions), and from becoming or acting as a director or officer of any issuer or registrant for five years. He is also prohibited, for the same period, from becoming or acting as a registrant or promoter, from engaging in investor relations activities, and from acting in a management or consultative capacity in connection with the securities market.

http://www.bcsc.bc.ca/News/News_Releases/2015/01_BCSC_panel_sanctions_two_men_for_facilitating_the_secret_promotion_of_securities/

Bank Gutenberg AG (2014)

In a settlement agreement with the BCSC, **Bank Gutenberg AG**, **Gutenberg Management AG**, and **Gutenberg Group AG** admitted they traded securities on behalf of B.C. residents, contrary to the legal requirement to be registered. The agreement states that from at least January 2010, Bank Gutenberg promoted itself through its website and by visits by bank employees to Vancouver as providing offshore securities brokerage services. The website disclaimer identified no specific restrictions on dealing with residents of B.C. In spite of steps by the respondents to comply with the registration requirement, BCSC staff identified at least two B.C. residents that had accounts with Bank Gutenberg in the names of offshore corporations they controlled. These individuals provided instructions to Gutenberg Management employees, directly from B.C., to trade in B.C. reporting issuers listed on the TSX Venture Exchange (TSX-V) through their Bank Gutenberg accounts. Over the relevant period, the total volume of transactions (including sales and purchases) in the 16 Bank Gutenberg accounts in B.C. was approximately $327.8 million. BCSC staff identified two B.C. clients and suspect there may be more, however cannot confirm this because they cannot obtain access to Bank Gutenberg's records. Some, but not all, of the B.C.-based trading was for clients based in B.C., beyond the two B.C. clients identified by BCSC staff. The agreement states that the respondents had additional B.C. connections, including Bank Gutenberg employing two former B.C. registrants with regulatory histories. As part of the settlement agreement, the respondents have agreed that they breached securities laws regarding registration requirements. They agreed to pay $850,000 to the commission in respect of this matter, $50,000 of which represents the cost of the investigation. All of the respondents have been permanently banned from trading in or purchasing securities, and from engaging in investor relations activities.

http://www.bcsc.bc.ca/News/News_Releases/2014/77_Swiss_bank_agrees_to_pay_$850_000_for_unregistered_trading_in_B_C_/

Alnoor Ramji (2014)

In a settlement agreement with the BCSC, **Alnoor Ramji** agreed to pay $85,000 and was ordered permanently banned from securities markets for acting contrary to the public interest when he concealed his ownership stake in a B.C. OTC reporting issuer prior to selling his shares. Ramji admitted he participated in a scheme to conceal his ownership stake in Clean Power Concepts Inc. using offshore nominee accounts to conceal his identity and obtain undisclosed control of 16 per cent of Clean Power's shares. Clean Power, a Nevada company, was a B.C. OTC reporting issuer during the material times. The trading accounts obtained by Ramji and his nominees were in the name of companies incorporated in Panama or Belize, and were provided by Gibraltar Global Securities. (Gibraltar is a Bahamian broker/dealer that was permanently banned from B.C.'s capital markets in November 2012.) Between December 20, 2010 and January 20, 2011, Ramji and the nominees sold approximately 35.85 million shares of Clean Power and generated proceeds of about USD$8.3 million around the time a Montreal public relations firm carried out an internet-based promotional campaign on Clean Power. Ramji, directly and through the nominees, instructed Gibraltar to wire the proceeds to bank accounts in Hong Kong, Switzerland, Belize and Panama, in the names of other persons. Ramji, as an insider of Clean Power, admitted he breached securities laws by failing to file a report disclosing his beneficial ownership of, or control or direction over, Clean Power shares.

http://www.bcsc.bc.ca/News/News_Releases/2014/82_BCSC_permanently_bans_B_C__man_who_concealed_control_position_of_shares_in_Over-the-Counter_reporting_issuer/

Gibraltar Global Securities Inc. (2012)

A BCSC panel ordered a Bahamian company to pay $300,000 for trading and advising in securities in B.C. without being registered, and for refusing to provide BCSC staff with information relating to B.C. residents who have held accounts with the company. In May 2012, the panel found that **Gibraltar Global Securities Inc.**, a company registered in the Bahamas that provides offshore securities brokerage, investment management and advisory services, carried out trades and provided securities advice on behalf of B.C. residents without being registered to do so. The panel also found that Gibraltar's continued refusal to provide BCSC staff with the names, account information and account statements for all B.C. residents who have beneficially held accounts with Gibraltar made the company "unsuitable to engage in securities related activities in, or connected with, British Columbia." For its misconduct, the panel ordered that Gibraltar be permanently banned from trading or purchasing securities in B.C., except that Gibraltar may direct Global Securities Corporation to sell any securities held in Gibraltar's accounts at Global, provided Global continues to hold proceeds from any sale. Gibraltar is also permanently prohibited from becoming or acting as a registrant, investment fund manager or promoter, and from engaging in investor relations activities. In addition, Gibraltar must disseminate on its website that it is permanently prohibited from having clients who are resident in B.C. The panel also ordered Gibraltar to pay an administrative penalty of $300,000, which includes $48,250 in registration fees that Gibraltar avoided by failing to register.

http://www.bcsc.bc.ca/News/News_Releases/2012/93_BCSC_panel_fines_and_permanently_cease_trades_Bahamian_company_for_misconduct_and_refusal_to_provide_information/

Compliance in the Private Placement Market

Risk

In the past several years, more money has been raised in B.C.'s private placement market than in the public markets. The BCSC monitors the private placement market to ensure that participants in this market are complying with their regulatory obligations. Evidence of misconduct is referred to the Enforcement division for investigation.

Initiative

1. Referrals to Enforcement through Private Placement Review Program

In 2010, the BCSC launched its Private Placement Review Program (PPRP). The program monitors private companies that raise money in the private placement market.

Results

Since 2010, 2,400 companies have filed exempt distribution reports (EDRs) with the BCSC. After performing a preliminary analysis of all of those reports, 16 files were referred to the Enforcement division. Several cases were opened, with one resulting in a BCSC hearing and findings of fraud, illegal distributions and breach of a CTO, and another ending in a settlement where the issuer agreed to pay $10,000 to the BCSC. Several other cases referred through the PPRP are ongoing.

Initiative

2. Using Technology to Focus Regulation of Private Placement Market

In January 2014, the BCSC launched a private company risk model that supports Corporate Finance (CF) and Capital Markets Regulation (CMR) staff's surveillance and review efforts. The risk model uses fielded data from all exempt distribution reports since January 2011, together with data from a variety of internal and external databases, and analyzes each new exempt distribution report using a set of 38 risk indicators to identify high risk companies. Misconduct is referred to the Enforcement division. A significant goal of the risk model project is to enable BCSC staff to apply their experience and professional judgment to higher risk market participants. No other jurisdiction in Canada is using information technology in this way.

Results

After one year of operation, the private company risk model continues to identify non-reporting issuers that may be high risk to the private placement market. Since its launch:

- 5,400 EDRs were filed with the commission by a total of 1,400 non-reporting issuers
- the Risk Model processed 2,700 EDRs filed electronically by 800 higher risk issuers
- the Risk Model flagged 650 distributions for possible review by CF staff and 325 distributions for possible review by CMR staff
- following an initial screening, CF staff reviewed 53 distributions, and CMR staff reviewed 51 issuers and finders

Combatting Illegal Distribution and Fraud

Risk

Pursuing illegal distribution and fraud through both administrative and criminal enforcement is a critical part of our work. Our objectives are to deter fraudulent activity and illegal distributions, and to mitigate investor losses by disrupting ongoing frauds and illegal distributions. We also endeavor to return money to victims of fraud wherever possible.

Initiative

1. Monitoring Mid-level Promoters Involved in Illegal Distributions and Frauds

As part of our efforts to combat non-compliance in the private placement market, the BCSC monitors commissioned mid-level promoters (also referred to as "finders") who sell private placement securities under exemptions to registration requirements.

Results

Robert Waters (2014)

A BCSC panel fined and issued orders against **Robert Waters**, a former investment advisor who engaged in an illegal distribution. In June 2014, the panel found that Waters, a B.C. resident, sold shares of Berkeley Coffee & Tea Inc. to 45 investors for total proceeds of $312,977 without being registered and without having filed a prospectus. Waters was formerly registered under the *Securities Act* as an investment advisor from March 6, 1985, to September 9, 1998. In its sanctions decision, the panel noted that, "Waters engaged in serious misconduct" and that he, "failed to take responsibility for his actions or express any remorse for his conduct." The panel ordered that Waters resign any position he holds as a director or officer of any issuer. He is also prohibited from trading or purchasing securities (with limited exceptions), and from acting as a director or officer of any issuer for a period of six years. He is also prohibited, for the same period, from becoming or acting as a promoter or registrant, from engaging in investor relations activities, and from acting in a management or consultative capacity in connection with the securities market. The panel ordered that Waters pay a fine of $20,000. All prohibitions will remain in place until the later of six years, or such time as the fine is paid and Waters completes courses that are satisfactory to the Executive Director.

http://www.bcsc.bc.ca/News/News_Releases/2014/72_BCSC_panel_sanctions_former_investment_advisor_who_illegally_distributed_securities/

Richard Gozdek and Darwin James Hajime Okano (2013)

In 2013, **Richard Gozdek** and **Darwin James Hajime Okano** settled with the BCSC for illegally distributing shares in Armadillo Energy Inc., a Nevada corporation that claimed to own an oil lease in Oklahoma.

In a settlement agreement with the BCSC, Gozdek admitted that he illegally sold securities in Armadillo. Gozdek has never been registered to sell securities in B.C., and Armadillo has never filed a prospectus, offering memorandum or exempt distribution report in B.C. The agreement states that between December 2010 and April 2011, Armadillo sold partnership agreements to at least 26 investors in B.C. for proceeds of approximately $868,789. Gozdek directly solicited persons to invest in the partnership agreements, raising $550,778 from B.C. residents. Gozdek, through his company Sterling Financial Group, was paid a fee of approximately $40,062 for the sale of the partnership agreements. Gozdek admitted that by trading and distributing securities without being registered and without having filed a prospectus, he broke securities laws relating to both registration and prospectus requirements. As part of the agreement, Gozdek has given an undertaking to pay $65,062.30 to the BCSC. Additionally, he must resign any position that he holds as a director or officer of any issuer, registrant, or investment fund manager. For a period of five years, Gozdek is banned from trading in securities (with limited exceptions), and he is prohibited from becoming or acting as a registrant, investment fund manager, promoter, or director or officer of any issuer, registrant or investment fund manager. He is also prohibited, for the same period, from acting in a management or consultative capacity in connection with the securities market, and from engaging in investor relations activities. Gozdek has agreed to comply fully with the *Securities Act*, securities rules and any applicable regulations.

http://www.bcsc.bc.ca/News/News_Releases/2013/40_B_C__man_agrees_to_sanctions_for_illegally_distributing_securities/

In a settlement agreement with the BCSC, Okano admitted that he and 0894563 B.C. Ltd. illegally sold securities in Armadillo. Okano is the sole director of 0894563. The agreement states that between December 13, 2010 and April 12, 2011, Armadillo sold partnership agreements through 0894563 to at least 26 investors in B.C. for proceeds of approximately $868,789. Okano, as a "sales associate" for 0894563, directly solicited persons to invest in the partnership agreements, raising $221,374 from B.C. residents. Okano received a commission of $17,709.96 for the sale of the partnership agreements. Okano admitted that by trading and distributing securities without being registered and without having filed a prospectus, he and 0894563 broke securities laws relating to both registration and prospectus requirements. Okano has been registered as a dealing representative since September 11, 2011. During that time, he has been under close supervision. 0894563 is not registered under the *Securities Act*, and Armadillo has never filed a prospectus, offering memorandum or exempt distribution report in B.C. As part of the agreement, Okano has given an undertaking to pay $27,709.96 to the BCSC and to wind up 0894563. Additionally, Okano is prohibited from becoming or acting as a director or officer for a minimum of three years, except that he may act as director or officer of a holding company into which commission from his work as a dealing representative is paid. He is also prohibited, for the same period, from purchasing or trading in securities with some exceptions, including to clients of a registered dealer with which he is employed. Both Okano and 0894563 have agreed to comply fully with the *Securities Act*, securities rules and any applicable regulations.

http://www.bcsc.bc.ca/News/News_Releases/2013/38_Dealing_representative_agrees_to_sanctions_for_illegally_distributing_securities/

In a related action, a BCSC panel permanently banned Armadillo from trading or purchasing securities in B.C. and ordered that the company be permanently cease-traded. The panel also fined Armadillo $800,000.

Initiative

2. Process for Investor Claims

After a hearing, respondents can be ordered to pay the commission any money obtained or losses avoided as a result of their contravening the *Securities Act*. In November 2013, the *Securities Act* was amended to allow the BCSC to distribute funds that were ordered paid to the commission under section 161(1)(g) to investors. The BCSC website outlines the process by which investors can contact the commission to request a return of funds, and provides a link to the required claims form.

Since 2011, BCSC commission panels have ordered $30,709,388 to be paid to the commission.

Year	2011	2012	2013	2014
Amounts ordered to be paid to the commission	$7,846,762	$10,169,255	$20,569	$12,672,802

Results

Michael Robert Shantz (2012)

In 2012, a BCSC panel sanctioned **Michael Robert Shantz** for committing fraud and engaging in unregistered trading. The panel found that Shantz committed fraud through his company, Canada Pacific Consulting Inc. (CPC), by soliciting German and Swiss residents to open trading accounts with CPC. Shantz and CPC claimed that they would conduct gold futures or foreign exchange trading on behalf of these individuals. Between June 2009 and September 2010, 11 German and Swiss investors deposited $1.5 million with CPC for investment in gold futures and foreign exchange. CPC told them that the investments were low risk. The panel found that CPC lied to investors about the nature of its business and its plans to invest their money. None of the investors' funds were invested as promised. Most of the funds – $1.2 million – were wired by Shantz to bank accounts in Spain for unknown purposes. Shantz also used $210,000 for his own personal use. For his misconduct, Shantz is permanently banned from trading in securities, purchasing securities or exchange contracts and from becoming or acting as a director or officer of any issuer or registrant. He is also permanently prohibited from becoming or acting as a registrant, investment fund manager or promoter, from engaging in investor relations activities, and from acting in a management or consultative capacity in connection with the securities market. The panel also ordered Shantz to pay to the commission the $1,530,004 he obtained as a result of his illegal activity, as well as an administrative penalty of $630,000.

http://www.bcsc.bc.ca/News/News_Releases/2012/45_BCSC_panel_issues_lifetime_ban_against_B_C__man_for_fraud/

During the course of the investigation of Shantz, the BCSC froze $131,804.25. On March 19, 2015, the BCSC announced that these funds will be returned to CPC investors pursuant to the BCSC's new claims process.

http://www.bcsc.bc.ca/News/News_Releases/2015/26_BCSC_seeks_to_return_funds_lost_in_Shantz_case/

Initiative

3. Using Investor Education to Support Enforcement

The BCSC is the only securities regulator in Canada with an investor education program that supports enforcement. BeFraudAware, the award-winning investor education program we launched in 2011, is an online, television, radio and print campaign that educates British Columbians on the dangers of investment fraud. The objective of the campaign is to increase high value tips from the public about known or suspected investment frauds, and encourage early reporting so the Enforcement division can disrupt misconduct that could harm investors and our capital markets.

Since 2011, BeFraudAware has focused on three communities: English speaking, Chinese (Mandarin and Cantonese speaking), and South Asian (Punjabi speaking). During this time, awareness of the warning signs of investment fraud is up considerably in all three groups. As a result, we are receiving more useful tips and information from the public, which aids our enforcement efforts.

Results

Yan Zhu (Rachel Zhu)/Guan Qiang Zhang/Bossteam E-Commerce Inc

In 2012, a tip stemming from the BeFraudAware campaign led to the investigation and litigation of the Bossteam case. A BCSC panel found that **Yan Zhu** (also known as **Rachel Zhu**), **Guan Qiang Zhang**, and **Bossteam E-Commerce Inc.** breached multiple securities laws. The panel found that Zhu, Zhang, and Bossteam committed numerous securities-related infractions, including fraud, illegally distributing securities, and withholding information from BCSC investigators and instructing their employees and investors to do the same. Bossteam has never filed a prospectus in B.C. Bossteam described itself on its websites, in documents, and in presentations as an online advertising business. A primary part of the business was its website with platforms, including one where advertisers could post links to their own webpages as advertising to be viewed by others. Beginning in November 2011, Zhu and Zhang offered shares in Bossteam for sale to the public. Before investors could purchase shares, they were required to first become a Bossteam member and sell at least $2,000 worth of advertising, either to themselves or a third party. The panel found that the respondents illegally distributed these securities without first having filed a prospectus. In its decision, the panel also found that Zhu, Zhang, and Bossteam committed fraud when they created the false impression that Bossteam members and well-known local and international businesses were paying Bossteam to advertise on its websites. This was untrue, as the majority of ads appearing on Bossteam's websites were associated with Bossteam's own accounts, and not to accounts for parties that had paid Bossteam to post their links. The panel also found that Zhu, Zhang, and Bossteam withheld information concerning monies paid by Bossteam "members" for securities, thereby disrupting commission staff's investigation and obstructing justice. Furthermore, the panel found that Zhang and Zhu instructed Bossteam employees and members to tell commission investigators that Bossteam was only selling advertising, and to refer to Bossteam shares as "consumer credits" to attempt to conceal their true nature. Describing Zhang's and Zhu's conduct, the panel wrote, "The prohibited acts caused deprivation. The purchasers of Bossteam securities paid over $14 million for ad packages, shares and consumer credits. They risked losing all they paid because Bossteam had few paying advertisers and little actual advertising revenue."

The panel's sanctions decision is expected in 2015.

http://www.bcsc.bc.ca/News/News_Releases/2014/69_BCSC_panel_finds_that_former_Burnaby_residents_committed_fraud_and_other_securities_law_violations/

Three Cases Opened in 2014

As a direct result of the BeFraudAware campaign, the Enforcement division opened three cases in 2014.

2014 CASE HIGHLIGHTS

1. Illegal Distributions (including misrepresentations and fraud)

Fraud

Fraud is the most serious form of misconduct the BCSC investigates and prosecutes at an administrative level. Hallmarks include guarantees of high returns with no risk to the investor, offshore investments that offer tax benefits, and promises of opportunities to profit on insider information. All frauds exhibit deceit and deprivation.

In 2014, the BCSC's Enforcement division prosecuted nine fraud cases.

Rashida Samji

A BCSC panel fined **Rashida Samji** $33 million for committing a $100 million fraud on at least 200 investors. The panel also ordered that Samji be permanently banned from participating in B.C.'s capital markets. In July 2014, the panel found that between approximately 2003 and January 2012, Samji, a former notary public, perpetrated a fraud when she traded securities to 200 or more investors for proceeds of at least $100 million. The panel determined that Samji ran a Ponzi scheme. In its sanctions decision, the panel noted that, "Samji perpetrated a fraud each time she traded securities to an investor", and that she breached securities laws "many times in her dealings with hundreds of clients". Furthermore, the panel wrote, "The magnitude and duration of the fraudulent investment scheme and the number of investors affected justify a significant penalty." In addition to the $33 million fine, the panel ordered that Samji pay to the commission $10,811,799, the amount determined to be the difference between the monies deposited by the investors pursuant to the fraud, and the monies paid out to them.

http://www.bcsc.bc.ca/News/News_Releases/2015/06_BCSC_panel_fines_former_notary_public_$33_million__and_orders_permanent_market_ban_for_fraud/

David Michael Michaels

A BCSC panel fined **David Michael Michaels** $17.5 million for illegally advising clients, making misrepresentations, and perpetrating a fraud on hundreds of people, many of them seniors. The panel also ordered that Michaels be permanently banned from participating in B.C.'s capital markets. In August 2014, a panel found that between June 2007 and December 2010, Michaels, a former mutual fund salesperson, illegally and fraudulently advised 484 clients to purchase over $65 million of exempt market securities (exempt market securities are securities sold under exemptions from prospectus requirements). The panel found that at least $40 million of the $65 million his clients invested is lost, and most of the rest remains at risk. Michaels was paid $5.8 million in fees and commissions for these activities. In its sanctions decision, the panel noted that, "Michaels' business model was highly predatory in nature," and that he instilled trust in his clients and then betrayed that trust. The majority of his victims "have little or no opportunity to earn income from work or otherwise financially recover lost amounts." The panel also ordered that Michaels pay to the commission the $5.8 million in commissions he obtained as a result of his misconduct.

http://www.bcsc.bc.ca/News/News_Releases/2014/86_BCSC_panel_fines_Vancouver_Island_man_$17_5_million_and_orders_permanent_market_ban_for_fraud__misrepresentations_and_breach_of_regulatory_requirements/

Michael Patrick Lathigee/Earle Douglas Pasquill/Freedom Investment Club

A BCSC panel fined and ordered permanent bans against **Michael Patrick Lathigee** and **Earle Douglas Pasquill** for perpetrating frauds. Lathigee and Pasquill jointly directed and controlled a group of companies called the **Freedom Investment Club (FIC Group)**. The FIC Group included FIC Real Estate Projects Ltd., FIC Foreclosure Fund Ltd., and WBIC Canada Ltd. In July 2014, a commission panel found that between February 1, 2008 and November 15, 2008, Lathigee and Pasquill fraudulently raised a total of $21.7 million through the sale of securities to 698 investors without telling the investors important facts about the financial condition of corporate respondents FIC Group and FIC Foreclosure. The panel found that Lathigee and Pasquill knew when they were distributing the securities that FIC Group had severe cash flow problems, including an unfunded $8 million cost overrun on the company's biggest project. The panel also found that Lathigee and Pasquill used most of the $9.9 million raised from 331 investors in FIC Foreclosure to make loans to related companies, instead of investing the funds in foreclosures of residential properties in the United States (the purpose for which the funds were raised). Discussing the extent of the misconduct, the panel wrote, "The magnitude of the fraud perpetrated in this case is among the largest in British Columbia history. The respondents raised $21.7 million from 698 investors without telling them that the FIC Group had a severe cash flow problem." Lathigee was ordered to pay a $15 million administrative penalty to the commission. Pasquill was ordered to pay a $15 million administrative penalty to the commission. The panel also ordered the respondents to disgorge to the commission the monies obtained as a result of their misconduct:

- $9.8 million (distributions relating to FIC Projects)
  - FIC Projects, Lathigee and Pasquill
- $9.9 million (distributions relating to FIC Foreclosure)
  - FIC Foreclosure, Lathigee and Pasquill
- $2 million (distributions relating to WBIC)
  - WBIC, Lathigee and Pasquill

All of the corporate respondents have been permanently cease-traded.

http://www.bcsc.bc.ca/News/News_Releases/2015/27_BCSC_panel_fines_and_orders_permanent_bans_against_two_B_C__residents/

Theodore Ralph Everett/Robert H. Duke/Micron Systems Inc./Independent Academies Canada

A BCSC panel fined and permanently banned **Theodore Ralph Everett**, **Robert H. Duke**, **Micron Systems Inc.**, and **Independent Academies Canada (IAC)** for fraud, illegal distribution of securities, and breaching the terms of a cease trade order. In March 2014, a commission panel found that Everett, Duke, Micron, and IAC distributed securities to 126 investors for proceeds of $5.1 million without filing a prospectus, perpetrated a fraud by distributing securities to 55 investors for proceeds of $1.45 million, and traded securities in violation of a cease trade order. In its sanctions decision, the panel noted that Everett's and Duke's "deceitful conduct was directly responsible for the harm done to the IAC and Micron investors," and that they also "enriched themselves at investors' expense." The panel also ordered the respondents to pay to the commission the $5,433,189 obtained as a result of their misconduct. Furthermore, Everett and Duke are jointly and severally liable to pay an administrative penalty of $7 million. IAC and Micron have been permanently cease-traded. Leonard George Ralph was named as a respondent in the original notice of hearing issued in January 2013. He settled with the Executive Director in October 2013.

http://www.bcsc.bc.ca/News/News_Releases/2014/52_BCSC_panel_fines_and_permanently_bans_two_B_C__residents_and_two_B_C__companies__for_fraud_and_illegally_distributing_securities/

Ronald Stephen McHaffie/BigFoot Recreation and Ski Area Ltd.

A BCSC panel permanently banned **Ronald Stephen McHaffie** from the province's capital markets for fraudulently enticing investors to invest in a company he claimed was developing a recreation and ski resort. The panel found that McHaffie and **BigFoot Recreation & Ski Area Ltd.** raised approximately $642,960 from 30 investors through the sale of shares in BigFoot. BigFoot has never filed a prospectus in B.C., and McHaffie has never been registered to sell securities in B.C. The panel ordered the respondents to pay to the commission the $642,960 they obtained as a result of their contraventions of the *Securities Act*, and ordered McHaffie to pay an administrative penalty of $2,000,000.

http://www.bcsc.bc.ca/News/News_Releases/2014/37_BCSC_panel_issues_lifetime_ban_against_B_C__man_for_fraud_and_fines_him_$2_million/

Michael Jerome Knight/Jeffrey Karl Wiegel

A BCSC panel fined and ordered bans against **Michael Jerome Knight** and **Jeffrey Karl Wiegel** for illegally distributing securities. Knight, a former mutual fund salesperson, was also sanctioned for committing fraud and breaching a BCSC order prohibiting him from engaging in certain conduct in B.C.'s capital markets. Discussing the harm to investors caused by Knight and Wiegel, the panel wrote, "The respondents' misconduct has resulted in significant harm to investors. The investments in 835 Ltd. and Local 1661 have been lost. The losses for each investor are generally significant in that many of the individual investors lost amounts between $50,000 and $100,000." Knight was ordered to pay a $300,000 administrative penalty to the commission, and to resign any position he holds as an officer or director of an issuer or registrant. The panel ordered that Knight be permanently banned from trading in securities, purchasing securities or exchange contracts, and from becoming or acting as a director or officer of any issuer or registrant. He is also permanently prohibited from becoming or acting as a registrant or promoter, from engaging in investor relations activities, and from acting in a management or consultative capacity in connection with the securities market. Wiegel was ordered to pay a $100,000 administrative penalty to the commission, and to resign any position he holds as an officer or director of an issuer or registrant. The panel ordered that Wiegel be banned from trading in securities, purchasing securities or exchange contracts, and from becoming or acting as a director or officer of any issuer or registrant for a period of ten years. He is also prohibited, for the same period, from becoming or acting as a registrant or promoter, from engaging in investor relations activities, and from acting in a management or consultative capacity in connection with the securities market. The panel also ordered the respondents (except Almaval) to disgorge to the commission the monies obtained as a result of their misconduct:

- $1,935,000 (distributions relating to 835 Ltd.)
  - 835 Ltd., Wiegel and Knight
- $1,690,000 (distributions relating to Local Inc.)
  - Local Inc., Wiegel and Knight

Knight, Wiegel and the respective corporate respondents are jointly and severally liable for these amounts. All of the corporate respondents have been permanently cease-traded.

http://www.bcsc.bc.ca/News/News_Releases/2015/16_BCSC_panel_fines_and_orders_bans_against_real_estate_developers/

Yan Zhu (Rachel Zhu)/Guan Qiang Zhang/ Bossteam

See page 15 for case summary.

Jefferson Franklin Mesidor

A BCSC panel sanctioned **Jefferson Franklin Mesidor** for committing fraud against two B.C. investors. The panel found that Mesidor committed fraud when he spent money given to him by the two investors for purposes other than foreign exchange trading. The panel also found that Mesidor prepared and delivered a false and misleading financial statement to one of the investors. Noting that Mesidor showed no contrition, the panel said, "Mesidor's failure to take responsibility for the consequences of his misconduct shows that he poses a threat to our capital markets." The panel banned Mesidor permanently from trading in securities, from purchasing securities or exchange contracts, and from becoming or acting as a director or officer of any issuer or registrant. The panel also permanently prohibited him from engaging in investor relations activities, and from acting in a management or consultative capacity in connection with the securities market. The panel ordered Mesidor to pay to the commission the $16,000 he obtained as a result of his misconduct, as well as an administrative penalty of $75,000.

http://www.bcsc.bc.ca/News/News_Releases/2014/03_BCSC_panel_finds_that_B_C__man_committed_fraud/

Strategic Global Investments

A BCSC panel permanently banned **Strategic Global Investments**, a purported Chicago-based investment firm, for perpetrating a fraud against three B.C. investors. The panel found that Strategic raised USD$80,000 from three investors in B.C. by convincing them to invest in gold and currency options. In its decision, that panel stated that Strategic is, "clearly unfit ever to participate in B.C.'s capital markets in any capacity." The panel also ordered Strategic to pay to the commission the $80,000 it obtained as a result of its contraventions of the *Securities Act*, as well as an administrative penalty of $240,000.

http://www.bcsc.bc.ca/News/News_Releases/2014/45_BCSC_panel_fines_and_permanently_bans_purported__Chicago-based_investment_firm_for_fraud/

Misrepresentations

A misrepresentation is a statement that the person knows, or ought reasonably to know, is untrue or which omits material facts.

Colin Robert Hugh McCabe/Erwin Thomas Speckert

See page 8 for case summary.

Illegal Distribution

Illegal distribution is the sale or attempted sale of securities that does not comply with securities laws regarding prospectus and/or registration requirements. As we have seen in the previous section, many illegal distributions also have a fraud component.

Robert Waters

See page 12 for case summary.

Christopher James G. Bass/Dale Zücchet/Daniel Grant McGee/Cinnabar Explorations Inc.

A BCSC panel sanctioned **Christopher James G. Bass** and **Dale Zuccet** and permanently cease-traded **Cinnabar Explorations Inc.** for illegally distributing securities. In September 2013, a commission panel found that Bass and Zucchet illegally sold shares of Cinnabar to seven investors between April and July of 2011. The company claimed that the seven investors fell under the family, friends and business associates and accredited investors exemptions in the securities rules. The panel found they did not. Referring to the need for sanctions in this case, the panel stated that, "Bass' and Zucchet's carelessness and indifference to learning about and ensuring regulatory compliance when raising capital present a risk to our capital markets were they permitted to continue in the capital markets without restrictions." The panel ordered Bass to pay to the commission the $21,500 obtained as a result of the illegal activity, as well as an administrative penalty of $10,000. His prohibitions remain in place until the later of January 16, 2019 and the date these amounts have been paid.

Zucchet was ordered to pay an administrative penalty of $15,000.

http://www.bcsc.bc.ca/News/News_Releases/2014/09_BCSC_panel_sanctions_mining_company_and_two_B_C__men_for_illegally_distributing_securities/

A BCSC panel sanctioned **Daniel Grant McGee** for breaching securities laws regarding prospectus requirements. In June 2014, a commission panel found that McGee authorized, permitted or acquiesced in illegal distributions when he was a director of Cinnabar. The panel found that McGee signed exempt distribution reports relating to the sale of Cinnabar shares to seven investors between April and July of 2011 when no prospectus exemption was available, thereby authorizing illegal distributions. The company claimed that the seven investors fell under the family, friends and business associates and accredited investor exemptions in the securities rules. The panel found they did not. The panel wrote that, as a former registrant, McGee "should know better" and that he was "careless in performing his duties as a director." For his misconduct, McGee must resign any positions he holds as a director or officer of an issuer or registrant. Additionally, he is banned from trading in securities, purchasing securities or exchange contracts, and from becoming or acting as a director or officer of any issuer or registrant for five years. He is also prohibited, for the same period, from becoming or acting as a promoter, from engaging in investor relations activities, and from acting in a management or consultative capacity in connection with the securities market. The panel ordered McGee to pay to the commission the $21,500 obtained as a result of the illegal activity, as well as an administrative penalty of $10,000. His prohibitions remain in place until the later of July 23, 2019 and the date these amounts have been paid.

http://www.bcsc.bc.ca/News/News_Releases/2014/65_BCSC_panel_sanctions_B_C__man_for_authorizing_illegal_distributions/

Alexander Anderson/Ken Chua/Oriens Travel and Hotel Management Corp.

A BCSC panel sanctioned **Alexander Anderson**, **Ken Chua**, and **Oriens Travel and Hotel Management Corp.** for illegally distributing securities, breaching a CTO, and making representations to investors. In March 2014, a commission panel found that Anderson and Chua distributed shares of Oriens to three B.C. residents without filing a prospectus, and for which no prospectus exemptions were available. Oriens raised proceeds of USD$58,500. In its decision, the panel found that, in distributing Oriens shares to investors, Oriens, Anderson and Chua breached the terms of a CTO against the company. Anderson and Chua were found to have made misrepresentations to the investors when they failed to advise them of the CTO. In its sanctions decision, the panel noted that Chua, "continues to pose a risk to our investors and our markets" and that Anderson, "had a limited role in the misconduct." Chua was also ordered to pay to the commission the USD$58,500 obtained as a result of his and Oriens' misconduct. He and Oriens are jointly and severally liable for this amount. Furthermore, Chua was ordered to pay an administrative penalty of $35,000. Anderson was ordered to pay an administrative penalty of $15,000. Oriens was permanently cease-traded by the panel.

http://www.bcsc.bc.ca/News/News_Releases/2014/70_BCSC_panel_sanctions_two_B_C__residents_for_illegally_distributing_securities_and_breaching_a_cease_trade_order/

Nizam Dean/Vikash Sami/Saafnet Canada Inc.

A BCSC panel sanctioned **Nizam Dean** and **Vikash Sami** and permanently cease-traded **Saafnet Canada Inc.**, a computer hardware company, for illegally distributing securities. In October 2013, a commission panel found that Saafnet, Dean, and Sami breached securities laws relating to prospectus requirements when they raised proceeds of $9,100 and USD$604,479 from 14 investors. During the period in question, both Dean and Sami were directors and officers of Saafnet. The panel ordered one-year prohibitions against Dean and Sami from trading securities (with limited exceptions), from acting as a director or officer of any issuer (other than Saafnet and their personal corporations), from engaging in investor relations activities, and from acting in a management or consultative capacity in connection with the securities market. The panel ordered administrative penalties of $10,000 against each of Dean and Sami. The panel permanently cease-traded Saafnet, and ordered it to disgorge the $686,562 it obtained as a result of its contraventions of the *Securities Act*.

http://www.bcsc.bc.ca/News/News_Releases/2014/25_BCSC_panel_sanctions_computer_hardware_company_and_two_B_C__residents_for_illegal_distribution/

Adis Golic

A BCSC panel found that **Adis Golic** illegally distributed securities. The panel found that Golic, a Burnaby resident during the relevant period, breached securities laws when he sold securities of AD Capital U.S. Inc. to three investors for total proceeds of $42,000 without a prospectus and without being registered. AD Capital U.S. was a Nevada-based corporation with a business address in Burnaby. The allegations against Golic were first published in a May 2008 notice of hearing issued by BCSC staff. The hearing into the allegations was adjourned generally on March 26, 2009, pending the outcome of criminal proceedings against Golic. In February 2010, charges were brought against Golic in the Provincial Court of British Columbia under the *Securities Act* and the *Offences Act*. There were three counts against Golic:

1. between November 22, 2007 and May 12, 2008, he engaged in the distribution of securities without being registered to do so, contrary to section 34(1) and 155(1)(b) of the Act;
2. between November 22, 2007 and May 12, 2008, he engaged in the distribution of securities without filing a prospectus, contrary to section 61 and 155(1)(b) of the Act;
3. between March 1, 2008 and May 31, 2008, he made misrepresentations and omissions, contrary to section 50 and 155(1)(b) of the Act.

On October 17, 2011, after trial, Golic was convicted of selling securities without a prospectus and without being registered. He was sentenced to 60 days in jail, together with $40,000 in restitution. He was acquitted on the charge of making misrepresentations. Referring to the trial judge's findings, the panel noted that, "Golic purposefully avoided the securities regulatory requirement, and...was instrumental in the running of a call center or 'boiler room' for the sales of securities. Significant deterrence is warranted for those who set up their affairs with an intent to disregard securities laws." The panel ordered that Golic be prohibited from trading in securities, purchasing securities or exchange contracts, and from becoming or acting as a director or officer of any issuer or registrant for a period of seven years. He is also banned, for the same period, from becoming or acting as a registrant or promoter, from engaging in investor relations activities, and from acting in a management or consultative capacity in connection with the securities market.

http://www.bcsc.bc.ca/News/News_Releases/2014/25_BCSC_panel_sanctions_computer_hardware_company_and_two_B_C__residents_for_illegal_distribution/

Stephen B. Squires/Quantum Materials Corp.

In a settlement agreement with the BCSC, **Stephen B. Squires** admitted that he and his company, **Quantum Materials Corp.**, illegally distributed securities in breach of a CTO. Squires is a United States resident and has acted as Quantum's Chief Executive Officer since November 2008. The agreement states that on November 6, 2009, the Executive Director cease-traded the securities of Quantum, a Nevada corporation that was an OTC reporting issuer from September 15, 2008 through June 15, 2013. Quantum was cease-traded for failing to make required filings.

http://www.bcsc.bc.ca/News/News_Releases/2014/20_U_S__resident_agrees_to_sanctions_for_illegal_distributions_in_contravention_of_a_cease_trade_order/

2. Market Misconduct (including market manipulation and insider trading)

Market Manipulation

A market manipulation is a deliberate attempt to interfere with the operation of the market by creating artificial, false or misleading appearances with respect to the price of, or market for, a security, commodity, or currency. Examples of market manipulation include high closing activities, volume manipulation, and "pump and dump" schemes. The latter term describes schemes that involve talking up a company's share price with untrue or exaggerated information in order to sell shares at a profit before the inevitable crash in the share price, when the company's true position becomes evident.

OSE Corp./Thalbinder Singh Poonian/Shailu Sharon Poonian/Robert Joseph Leyk/Manjit Singh Sihota/Perminder Sihota

A BCSC panel fined five B.C. residents who were found to have perpetrated a market manipulation that led to a misleading appearance of trading activity in, or an artificial price for, shares in a company listed on the TSX-V. The panel also permanently banned them from B.C.'s capital markets. In September 2014, the panel found that between September 2007 and March 2009, **Thalbinder Singh Poonian**, **Shailu Sharon Poonian**, **Robert Joseph Leyk**, **Manjit Singh Sihota** and **Perminder Sihota** coordinated their activities for the purpose of manipulating the share price of **OSE Corp.**, an Ontario company whose shares traded on the TSX-V. OSE had its head office at a property owned by Perminder Sihota in Delta, B.C. In its decision, the panel found that the respondents obtained approximately $7 million by selling OSE shares to unsuspecting buyers, including clients of Phoenix Credit Risk Management Consulting Inc. (and its affiliates), a company based in Richmond Hill, Ontario, that provided debt management services. Phoenix and its principals were paid commissions ranging from 10% to 28% each time they arranged for a Phoenix client to buy OSE shares. In its sanctions decision, the panel found that all of the respondents bore responsibility for the manipulation: "While the respondents' roles in conducting the manipulation varied, each respondent was directly involved in and contributed to the manipulation." However, the panel found that Thalbinder Poonian was the "mastermind of the scheme" and that his conduct was "the most egregious." The panel ordered that the respondents be jointly and severally liable to pay to the commission $7,332,936 obtained as a result of their misconduct, as well as a range of administrative penalties that were set according to each respondent's level of involvement (the respondents are not jointly and severally liable for the administrative penalties). The panel ordered that:

- Thalbinder Poonian pay to the commission an administrative penalty of $10 million;
- Sharon Poonian pay to the commission an administrative penalty of $3.5 million;
- Robert Leyk pay to the commission an administrative penalty of $3.5 million;
- Manjit Sihota pay to the commission an administrative penalty of $3.5 million; and
- Perminder Sihota pay to the commission an administrative penalty of $1 million.

http://www.bcsc.bc.ca/News/News_Releases/2015/24_BCSC_panel_fines_and_permanently_bans__five_B_C__residents_for_market_manipulation/

Alnoor Ramji

See page 9 for case summary.

Insider Trading

Insider trading is the trading of a public company's stock or other securities by individuals with access to non-public information about the company. Basing investment decisions on information that has not been generally disclosed is particularly harmful to the BCSC's goal of fair and equitable markets, where all investors have access to the same information at the same time.

Robert Launder

In a settlement agreement with the BCSC, **Robert Launder** admitted that he sold shares of Baja Mining Corp. while in a special relationship with the company, and while in possession of material facts concerning a cost review that had not been generally disclosed. Launder agreed to pay $24,350 to the BCSC. He is also prohibited from purchasing or trading securities of any issuer with whom he is in a special relationship for a period of three years.

http://www.bcsc.bc.ca/News/News_Releases/2014/47_Princeton_mining_analyst_agrees_to_sanctions_for_illegal_insider_trading/

Weiqing Jane Jin

A BCSC panel sanctioned **Weiqing Jane Jin** for insider trading. In July 2014, the panel found that Jin was working as a consultant at a Vancouver law firm when she purchased 3,000 shares of Hathor Exploration Limited, a mineral exploration company listed on the Toronto Stock Exchange. The panel found that Jin knew that Cameco Corporation, a Saskatchewan company traded on the stock exchanges in Toronto and New York, had made a written proposal setting out the basis of an offer to acquire Hathor. The proposal, which the panel found was a material fact, had not been publicly disclosed when she purchased the Hathor shares. In its sanctions decision, the panel stated that Jin "was a legal professional who failed to undertake the most basic due diligence and to exercise good judgment regarding the propriety of trading in Hathor shares." Jin was ordered to pay the commission the $4,280 obtained as a result of her misconduct, as well as a $12,000 fine. The panel also ordered that Jin be prohibited from purchasing or trading securities of any issuer with whom she is in a special relationship for a period of one year.

http://www.bcsc.bc.ca/News/News_Releases/2014/83_BCSC_panel_sanctions_legal_professional_for_illegal_insider_trading/

3. Compliance Cases

Investors are better protected if market participants like securities firms and companies that issue securities understand and comply with their regulatory obligations. The BCSC's Enforcement division pursues cases of non-compliance where warranted.

William Donald Ferguson/Black Gold Resources Ltd.

In a settlement agreement with the BCSC, **William Donald Ferguson** admitted that he and his company, **Black Gold Resources Ltd.**, engaged in unregistered advising. Ferguson created two Black Gold limited partnerships (Black Gold #5 LP and Black Gold #6 LP) to pool investor funds to invest in the oil and gas industry. Black Gold acted as the managing partner of the limited partnerships, and relied on the private issuer exemption to distribute the securities of the Black Gold Limited Partnerships. Black Gold and Ferguson raised a total of $625,000 for the Black Gold limited partnerships from 11 investors, including Ferguson, who contributed $30,000 of the total amount raised. Ferguson used the funds raised for the Black Gold limited partnerships to invest in a Saskatchewan oil exploration and production company. Ferguson acknowledged that he and Black Gold engaged in activities similar to those of a registrant, such as assessing investment merits, taking a management fee, and discretionary investing. Ferguson agreed to pay $5,000 to the BCSC and to return to investors the management fees that he earned as a result of his unregistered activity. Black Gold and Ferguson are also prohibited from trading in securities (with limited exceptions) for a period of three years. Ferguson is prohibited from becoming or acting as an adviser until the later of three years from the date of the settlement agreement or the date certain conditions are met.

http://www.bcsc.bc.ca/News/News_Releases/2014/39_B_C__resident_agrees_to_sanctions_for_unregistered_advising/

Roberta McIntosh

A BCSC panel fined **Roberta Merlin McIntosh** (a.k.a. Berta McIntosh, Roberta Sims, Roberta Butcher, Roberta Mayer) $30,000 for illegally advising an investor to purchase exempt market securities. The panel also ordered that McIntosh be banned from participating in B.C.'s capital markets for ten years. In November 2014, the panel found that McIntosh, a B.C. resident and former registrant who resigned in 2003, illegally advised an investor to purchase certain exempt market securities in April 2011. McIntosh was not registered when she did this. The investor followed McIntosh's advice. In its sanctions decision, the panel wrote that, "Although she resigned in 2003, as a former registrant, she should have been aware of the fundamental prohibition against unregistered advising." The panel also ordered that McIntosh resign any position she holds as a director or officer of an issuer or registrant. She is prohibited from trading in securities, purchasing securities or exchange contracts (with limited exceptions), and from becoming or acting as a director or officer of any issuer or registrant. She is also prohibited, for the same period, from becoming or acting as a registrant or promoter, from engaging in investor relations activities, and from acting in a management or consultative capacity in connection with the securities market. These prohibitions remain in place until the later of February 26, 2025 and the date the ordered amounts have been paid. McIntosh has also been ordered to successfully complete a course of studies satisfactory to the Executive Director concerning the obligations of registrants and participants in the capital markets in the event she decides to participate in the capital markets again.

http://www.bcsc.bc.ca/News/News_Releases/2014/89_BCSC_panel_finds_that_former_registrant_illegally_advised_on_purchase_of_securities/

Bank Gutenberg AG

See page 9 for case summary.

Prosecution Cases

The BCSC has the authority to investigate misconduct criminally, which can result in criminal charges that are referred to the Provincial Crown for prosecution, who decide whether to lay charges. In some cases, repeat offenders with public interest orders against them are prosecuted in provincial court, as breaching an administrative order made under the *Securities Act* is an offence.

Ralph Bartholomew Kelly

Ralph Bartholomew Kelly, a recidivist well-known to the BCSC, was convicted for two separate crimes in 2014. In the first, Kelly's trial took place in January 2014, and he was convicted in February 2014 on three counts of fraud over $5,000 and three counts of theft over $5,000 under the *Criminal Code*. He received a global 25-month prison sentence. Since Kelly had been in jail for 20 months awaiting the trial, he was credited with 40 months of time served. However, he was denied release since he is still awaiting trial on other charges relating to allegations that he defrauded his son's friend and several of his co-workers out of $34,200. In November 2014, Kelly was convicted of five counts of trading without registration and five counts of distributing securities without a prospectus under the *Securities Act*, and three counts of fraud over $5,000 under the *Criminal Code*. Kelly received a custodial sentence of nine months plus two years of probation, and he was ordered to pay restitution totalling $34,200 to his victims.

Amir Beiklik

In March 2012, the BCSC CIT arrested **Amir Beiklik** with the assistance of Coquitlam RCMP, and charged him with two counts of fraud over $5,000 and theft over $5,000. After numerous delays, Beiklik entered a guilty plea on September 30, 2014. Beiklik pleaded to two counts of fraud over $5,000 under the *Criminal Code*. He is scheduled to be sentenced in February 2015.

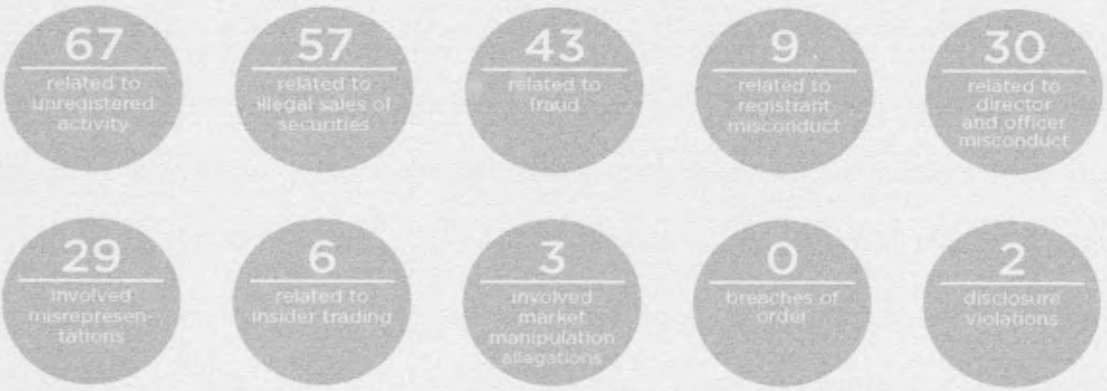
Kelly Fielder

In October 2012, the BCSC CIT and the Vancouver Police Department arrested **Kelly Fielder** and charged him with fraud over $5,000 and theft over $5,000 under the *Criminal Code*. After numerous trial delays, Fielder entered a guilty plea on October 1, 2014, to one count of theft over $5,000 under the *Criminal Code*. Fielder was sentenced on December 4, 2014, to pay restitution in the amount of $144,500, and serve an 18 month conditional sentence in the community subject to a number of strict conditions on trading.

DATA

Enforcement Activity January 1, 2014 – December 31, 2014

We handled 173 new cases in 2014. Many of these represented multiple violations including:



We began the calendar 2014 year with 39 notices of hearing outstanding. At year-end, we had 33 notices of hearing outstanding.

Below is the hearing-related activity for each of the last four years:

Year	2011	2012	2013	2014
New enforcement cases handled	167	142	137	173
New notices of hearing	18	22	24	14[1]
Temporary orders	1	5	5	1
Liability decisions	4	5	4	14
Sanction decisions	10	17	8	15
Settlement agreements	8	8	10	4

[Statistics from all branches including Criminal and Special Investigations]

Notes

[1] Lower number is attributable to Enforcement staff time being spent litigating cases in front of hearing panels

Enforcement Tools

Year	2011	2012	2013	2014
Production orders - Enforcement	444	650	811	716
Freeze orders	22	8	4	2
Assets frozen (at year end)[1]	$22.3 million	$21.34 million	$21.89 million	$22.39 million
Temporary orders	4	5	5	1
Cease-trade orders[2]	64	75	38	58
Halt trade orders	7	3	2	0

Notes

1. This is an estimated value for assets frozen at year-end. Not all assets were in the form of cash, so the actual value of frozen assets may differ because of market conditions and other valuation factors.
2. These numbers are made up of Compliance CTOs (improper disclosure), Enforcement CTOs (Decisions and Settlement Agreements), and CTOs for Failure to File in the Correct Form

Criminal Cases

The BCSC implemented its Criminal Investigations Team in 2007. Each investigator is a provincial special constable. The team's goal is to investigate and recommend *Criminal Code* and *Securities Act* charges against individuals for whom administrative sanctions alone are not considered a deterrent. Key to the success of the team is the good working relationship with Crown Counsel and with law enforcement agencies.

Since 2007, Crown has charged 27 individuals. In 2014, the CIT referred three cases to Provincial Crown Counsel.

HEARING PROCESSES

BCSC hearing panels preside over a number of different types of hearings related to enforcement activity.

Contested hearings

The most common type of hearing involves cases where the respondent does not admit the allegations published in a notice of hearing. Staff must present documentary and oral evidence (witness testimony) to prove the allegations on a balance of probabilities. The respondent may present evidence and cross-examine witnesses.

Failure to appear does not impede Enforcement staff's ability to proceed with the hearing. Furthermore, when allegations go unchallenged by a respondent, or where the respondent does not acknowledge the allegations against them, Enforcement staff may request that the hearing is carried out entirely in writing.

The hearing panel comprises three commissioners, one of whom functions as the Chair of the panel.

Settlements

Enforcement staff can settle a case at any time before or after the issuance of a notice of hearing. Every settlement agreement includes a statement of the relevant facts (including an admission of wrongdoing), and an agreement on sanctions. The sanctions usually include an order under section 161 of the *Securities Act*, and an undertaking to make a monetary payment to the commission. The Executive Director issues the section 161 order when he signs the settlement agreement.

Reciprocal Orders

BCSC commission panels may make reciprocal enforcement orders following a streamlined process when another security regulatory authority has imposed sanctions on a person. In 2014, BCSC hearing panels issued orders against 21 individuals in 13 reciprocal orders.

Reciprocal enforcement orders impose market bans on individuals or companies, which can include one or more of the following sanctions:

- cease-trading in and purchasing securities and exchange contracts
- a prohibition from becoming or acting as a director or officer of any issuer, registrant or investment fund manager
- a prohibition from becoming or acting as a registrant, investment fund manager or promoter
- a prohibition from acting as a manager or consultant in the securities market
- a prohibition from engaging in investor relations activities

GLOSSARY

Administrative Penalty (pg. 3): a financial penalty or fine ordered by a BCSC hearing panel.

Beneficial Owner (pg. 8): the individual who has the benefits of owning a security even though the title may be registered in another name.

Capital Markets Regulation division (pg. 11): oversees sections of the *Securities Act* that deal with registration to trade or advise in securities or exchange contracts, and management of investment funds. Applicants must meet certain educational standards and capital requirements to obtain registration, and are then required to meet detailed conduct, solvency and reporting obligations.

Cease Trade Orders (CTO) (pg. 3): an order issued by a provincial or territorial securities regulator against a company, management of a company, or any individual for a breach or an alleged breach of the *Securities Act*. Most CTOs are issued as a result of a filing delinquency (such as a failure to file a proper quarterly or annual financial statement), but they may also be issued as a result of an enforcement action that involves a proven or admitted breach of the *Securities Act*.

Corporate Finance division (pg. 11): oversees sections of the *Securities Act* that deal with corporate disclosure, and helps market participants to understand and comply with their regulatory obligations.

Disgorgement (pg. 3): disgorgement requires a payment by a respondent to the regulator of amounts obtained or losses avoided as a result of a failure to comply with, or a contravention of, securities laws. Disgorgement orders are made by a BCSC hearing panel.

Exemption (pg. 12): The *Securities Act* and its associated rules provide a number of exemptions from registration and prospectus requirements.

Exempt Distribution Reports (pg. 11): a report filed with the BCSC by individuals or companies that sell securities under an exemption from prospectus or registration requirements

Freeze Orders (pg. 3): an interim order from the BCSC that prevents a party from disposing of or hiding assets in order to preserve them until a judgment can be rendered or enforced.

IIROC (pg. 4): the national self-regulatory organization that oversees all investment dealers and trading activity on debt and equity markets in Canada.

Nominee Accounts (pg. 9): a type of account set up by a nominee or "registered owner" in order to administer securities held on behalf of the actual or beneficial owner of the securities.

Notice of Hearing (pg. 3): a document published by the Enforcement division that contains allegations and key information regarding a case that will be brought before a BCSC hearing panel.

Private Placement Market (pg. 11): a market where private and public companies sell their securities under exemptions from prospectus and registration requirements under the *Securities Act*.

Prospectus (pg. 12): a formal legal document, which is required by and filed with the BCSC, that provides specific details about an investment being sold to the public.

Tout Sheet (pg.8): a newsletter sent to a list of subscribers that promotes investments.